

A STUDY OF BUDGET FORMULATION
IN THE BUREAU OF SUPPLIES AND ACCOUNTS

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CHAPTER I

BASIS FOR BUDGET PREPARATION BY A NAVY BUREAU

General. For the purpose of clarity it is considered essential that the first section of this study should be concerned with the legal or statutory authority for budget formulation and presentation, and the position of the Bureau of Supplies and Accounts in the National Government Organization.

Statutory Basis. Prior to 1921, budget formulation and presentation in the Federal Government was virtually uncontrolled. Each agency of the government prepared its own budget in a manner that was most advantageous to that particular agency and changed the basis or presentation format whenever it was considered to be desirable. The President of the United States had very little voice in the entire procedure and there was no correlation between income and expenditure except to establish income figures after expenditures for the year had been decided upon. Supplemental appropriation requests were common accepted procedure.

Although many attempts to correct this situation had been made, the expenditure problems which arose as a result of World War I and the aftermath of that war, made it mandatory that strong measures be taken. The Budget and Accounting Act of 1921 (42 Stat. 20) was considered to be the answer to this problem. By this Act

the President was made the sole authority for the transmission of budgets to Congress.^{1/} Title II of the Act dealt specifically with budgetary procedures and provided that a Bureau of the Budget would be established within the Treasury Department. The Director, Bureau of the Budget was to act as an advisor to the President in budgetary matters and was authorized to collect and assemble budget data under such rules and regulations as the President might prescribe.^{2/}

The President's Reorganization Plan I of 1939 (53 Stat. 541; 44 U. S. C. 220) proved to be another milestone in establishing budgetary authority and procedure. The plan established the Executive Office of the President and transferred the Bureau of the Budget from the Treasury Department to that office. The effect was to greatly enhance the position of the Bureau of the Budget as an executive agency. The Budget and Accounting Procedures Act of 1950^{3/} revised much of the Budget and Accounting Act of 1921 but the basic concepts remain the same.

Departmental Basis. Under the provisions of the Act of 1921, the Department of the Navy submitted departmental expenditure estimates directly to the Bureau of the Budget. However, the National Security Act of 1947 established the Department of Defense as an agency of the Federal Government and the Secretary of Defense as a Cabinet member.^{4/} As a department head the Secretary of Defense is

^{1/} E. E. Naylor, The Federal Budget System in Operation (Hayworth Printing Co., 1941), p. 48.

^{2/} Budget and Accounting Act of 1921 (48 Stat.20) sect. 207.

^{3/} Public Law 784, 81st Congress.

^{4/} Public Law 253, 80th Congress.

responsible for the submission of the budget estimates for the Department of Defense which includes the Department of the Army, the Department of the Air Force, and the Department of the Navy.

Within the Department of Defense, budgetary responsibilities are further delegated to the secretaries of the military departments with the Office of the Assistant Secretary of Defense (Comptroller) as the coordinating office.

Under the Secretary of the Navy each bureau and office in the Navy Department has a responsibility for preparing, justifying, presenting and defending budget estimates at all levels for Navy programs which are the management responsibility of that bureau or office. As stated above the Secretary of Defense has the responsibility for the total Defense budget but it must be recognized that the spending bureaus and offices participate actively throughout the budgetary processes.

CHAPTER II

BUDGETS PREPARED BY THE BUREAU OF SUPPLIES AND ACCOUNTS

Major Programs. As one of the technical bureaus of the Navy Department the Bureau of Supplies and Accounts has the budgetary and funding responsibilities for the following major appropriations:^{1/}

Service-Wide Supply and Finance, Navy

For expenses necessary for maintenance and operation of service-wide supply and finance activities, including supply depots and centers, area provision supply and purchasing offices, supply demand control points, fleet fueling facilities, overseas air cargo terminals, regional accounts and disbursing offices, the material catalog office, and other service-wide supply and finance facilities, as designated by the Secretary; rent; intra-Navy transportation of things; transportation of household effects of civilian employees; research and development; industrial mobilization; losses in exchange and in the accounts of disbursing officers, as authorized by law; and departmental salaries; \$341,000,000. (Department of Defense Appropriation Act, 1954)^{2/}

Navy Stock Fund

This fund, initially established in 1893, now operates under the National Security Act, as amended (5 U. S. C. 172d). It finances the procurement of stocks of general stores material, vehicular equipment repair parts, special shipboard electrical fittings and fixtures, special clothing, clothing and small stores, ship's store stock, medical and dental supplies, blood plasma and related items, subsistence, common electronic items,

^{1/} Department of the Navy. Navy Comptroller Manual. Office of the Comptroller, para. 022301.

^{2/} The Budget of the United States Government for the Fiscal Year Ending June 30, 1955. Washington: U. S. Government Printing Office, 1954, p. 536.

and fuels. Income is derived from sales to authorized purchasers. Included are world-wide depot and, in general, station stocks. In addition to operating stocks, this fund maintains stocks of essential items which cannot be immediately procured in the event of an emergency.3/

Naval Working Fund

Advances from other Government agencies, foreign governments, and private individuals, for work or services to be rendered by the Navy, are used to cover the costs of such services. In addition, receipts from the sale of surplus stores of the Navy are used to cover expenses of selling surplus stores; net proceeds of such sales are transferred to the Treasury (31 U. S. C. 643).4/

Preparation for Sale or Salvage of Military Property, Navy

Proceeds from the sale of scrap or salvaged material are used to meet the expense of such sale or salvage (Sec. 622, Public Law 179, 83d Cong.).5/

Miscellaneous Programs. In addition to the above, the Bureau of Supplies and Accounts is responsible for several miscellaneous appropriations, economy act working funds, special funds, deposit funds, trust funds, and portions of other government department appropriations which are transferred to the Navy. These include:

Pay of the Navy, Deposit Fund

Employees Life Insurance Fund, Suspense, Navy

Accounts Payable, Check Issue Underdrafts, Navy

Personal Funds of Deceased or Missing Personnel, Navy

Ship's Store Profits, Navy

3/ Ibid., p. 575.

4/ Ibid., p. 570.

5/ Ibid., p. 543.

While the transactions in the trust and deposit funds are a part of the financial program of the Government, the funds are not owned by the Government and the transactions are excluded from the budget totals.

Submission of Estimates. Single year appropriations, such as "Service-Wide Supply and Finance, Navy," require that estimated obligation budgets be submitted annually. Previous year actual obligations, current year estimated obligations, and budget year estimated obligations are shown. A "language sheet," which is a description of what Congress indicates the money can or cannot be spend for, is included for each appropriation.

For revolving funds, like the "Navy Stock Fund," business-type statements are submitted which include a statement of sources and application of funds, statement of income and expense, and a statement of financial condition for the three-year period under consideration. A language sheet is not required for this type fund unless there is to be a change in the capital of the fund. Whether or not a language sheet is submitted, a program and performance statement describing the fund in general terms is included.

Consolidated schedules with program and performance statements are submitted for trusts and funds showing again the actual amounts for the previous year and the estimated amounts for the current and budget years.

CHAPTER III

DIRECTIVES AND GUIDELINES

Statutory Directives. The Bureau of Supplies and Accounts receives directives and guidelines for budget formulation and presentation from several sources. The prime source is the various governing laws and regulations passed by Congress. The Budget and Accounting Act of 1921; the Budget and Accounting Procedures Act of 1950; the annual Appropriation Acts; and substantive legislation which authorizes the Navy, and in turn the Bureau of Supplies and Accounts, to carry out specific functions, are examples of Congressional action effecting budget formulation at all levels.

Bureau of the Budget. The Bureau of the Budget publishes and maintains the Bureau of the Budget Circular No. A-11 which contains "Instructions for the Preparation and Submission of Annual Budget Estimates." The Bureau of the Budget publishes to the Secretary of Defense and other cabinet members the assumptions and policies of the President for the budget year under consideration and promulgates guidelines to be followed in the preparation of the budget estimates. "Call letters" are issued to the various department heads which request submission of the budget estimates and give specific instructions pertaining thereto. Other instructions, requests, etc. are forwarded by the Bureau of the Budget to the

various departments. It is worthy of note that all such written communications directed to the Department of Defense activities go to or through the Office of the Secretary of Defense and in the preliminary budget formulation stages do not carry any dollar amounts.

Department of Defense. Under the Secretary of Defense the Joint Chiefs of Staff design the military and strategic plans for the nation. In doing this the Joint Chiefs of Staff are guided by the recommendations of the National Security Council, the national foreign policy commitments, the imminence of any armed conflict, economic conditions within the United States and many other factors.^{1/} The Joint Chiefs submit their estimates of the military requirements to support the plans to the Secretary of Defense. After approval, the estimates are used as the basis for promulgating assumptions and guidelines to the military departments. The Secretary of Defense implements and interprets where necessary the directives of higher authority to the departments and agencies within his department. "Call letters" and other directives considered essential to a timely and well coordinated budget estimate submission are also originated in his office. Again here it is considered important to point out that all formal communications go to or through the secretaries of the three military departments.

Department of the Navy. Although the various directives received by the Bureau of Supplies and Accounts are originated by many sources, the Bureau looks to the Secretary of the Navy and the

^{1/} Frederick C. Mosher, Program Budgeting: Theory and Practice (New York: American Book-Stratford Press, Inc., 1954), p.59.

Navy Comptroller for virtually all immediate instructions and guidelines. Of paramount importance is the Basic Naval Establishment Plan. When the Secretary of the Navy receives the approved Joint Chiefs of Staff plans referred to above, he directs the Chief of Naval Operations to prepare the Navy's Program Objectives and the first Tentative Basic Naval Establishment Plan. The BNEP, together with the Program objectives and guidelines developed, serve as the basis for all budget estimates in the Department of the Navy.

The Navy Comptroller publishes the Secretary of the Navy "call letter," technical accounting guidelines and coordinates the Navy budget for the Secretary.

Formal budgetary communications from the Secretary of the Navy or the Navy Comptroller may be in any one of the following forms:

1. Individual letters or memoranda to the Chief, Bureau of Supplies and Accounts.
2. SECNAV or NAVCOMPT INSTRUCTION letters. Instruction letters are used to promulgate to multiple addressees information of a permanent or semi-permanent nature. Information of this type is usually included in instruction manuals at a later date.
3. SECNAV or NAVCOMPT NOTICE letters. Notice letters are used to promulgate to multiple addressees information of a temporary nature. Letters of this type provide for cancellation after the completion of the required action.
4. Navy Comptroller Manual. Presently published in six volumes covering the financial aspects of the Navy operations.

There are many other publications which the Bureau of Supplies and Accounts must be cognizant of in its budget operations such as the

"Budget-Treasury Regulation No.1," and "Decisions of the Comptroller General of the United States." It would be highly impractical if not impossible to make a complete listing, but the foregoing should be sufficient to impress the reader with the diversification of directives to be complied with.

CHAPTER IV

SERVICE-WIDE SUPPLY AND FINANCE, NAVY

General. Of the several appropriations and funds which the Bureau of Supplies and Accounts holds primary interest in, the most important appropriation from a program approach is the appropriation "Service-Wide Supply and Finance, Navy" (SWS&FN). The language sheet given in Chapter II gives a brief summary of the scope of this appropriation. However, since the appropriation will be used as the basis for the discussion presented in Chapter V, a broader concept is presented in the following paragraph.

Budget Activities. SWS&FN is divided into six budget activities in the Presidential Budget.^{1/} These are:

- Activity 1 Supply Distribution
- Activity 2 Material Control
- Activity 3 Transportation of Things
- Activity 4 Finance
- Activity 5 Cataloging
- Activity 6 Departmental Administration

A program and performance statement is given for each of the budget activities in the "Department of the Navy, Justification of Esti-

^{1/} The Budget of the United States Government for the Fiscal Year Ending June 30, 1955, p. 536.

mates for Fiscal Year 1956." A summary of these statements is presented below:

Supply Distribution. Over fifty-five per cent of the total appropriation is applied to this activity. Under the performance budget it provides for the operation of three Naval Supply Centers, fifteen Naval Supply Depots, the supply and fiscal functions at Naval Shipyards and Naval Stations, the Navy Commissary Store operation, and miscellaneous supply distribution facilities under the administrative control of the Bureau of Supplies and Accounts.

Material Control. Items of supply which are of military necessity and for which production capability in wartime cannot be assured are controlled by the Navy's thirteen Supply Demand Control Points. Budget Activity 2 finances this cost plus the cost of operating seven Navy Purchasing Offices, six Navy Area Provision Supply Offices, and pro-rata costs of the Armed Services Petroleum Procurement Agency.

Finance. The Navy's centralized fiscal operations are combined under Activity 4 and include the operations of the Field Branch, Bureau of Supplies and Accounts, Cleveland, Ohio, thirteen Navy Regional Accounts Offices, and fourteen Navy Accounts Disbursing Offices.

Cataloging. This activity includes the cataloging, conversion, and printing operations performed pursuant to Public Law 436, 82nd Congress which provided for a Federal Catalog of all common use supply items.

Departmental Administration. Funds under this activity provide for personnel and other costs necessary to carry out the responsibilities of the Bureau of Supplies and Accounts at the bureau level.

CHAPTER V

FORMULATION OF BUDGET ESTIMATES

General. The basic steps in any budget formulation can be said to consist of two parts. The first would be to define the concept of a "budget" and the second would be to get the objectives to be accomplished by the budget clearly in mind. For the purposes of this paper a budget is defined as "the estimated costs, expressed in terms of functions, units of work, and dollars, to accomplish specific objectives." The major objective in this case is that of supply support of Navy operations. In other words, the budget of the Bureau of Supplies and Accounts should reflect the cost of the supply support phase of the Basic Naval Establishment Plan.

Supply support has a much broader connotation than that of merely providing supplies of various kinds for consumption. It involves procuring, storing, transporting, controlling both by quantity and money value, accounting, furnishing personal services, and all supply functions necessary to support the operating forces.

To formulate a budget of such wide diversity, all of the phases of comptrollership must be used in the process. In the Bureau of Supplies and Accounts this includes the functional areas of statistics, accounting, program analysis, manpower, and of course budget. The products of the various areas have to be applied to the program objectives included in the Basic Naval Establishment Plan

to arrive at a sound budget estimate.

As has been indicated, the general plans for Navy operations are made known to the Bureau by higher authority. It is the job of the Bureau of Supplies and Accounts to interpret those plans in terms of material to be made available and the operations to be performed by the various field activities assigned to the Bureau under the performance budget concept. The budget does not control the operating plans. It does, however, express the operating plans in dollar terms, and any field operating plans which can be adequately justified are provided for.

Work Classification. After the objectives to be accomplished have been clearly defined, the next step is to classify the work to be done in accomplishing the objectives. The effort expended in this phase will determine to a great extent the comparative ease with which the Bureau can establish the remaining phases.

The budget activities used in the initial breakdown of the appropriation, "Service-Wide Supply and Finance, Navy" were shown in Chapter IV. However, this breakdown is in very broad categories and a much finer program analysis is necessary before any justifiable costs can be applied. Each budget activity is analyzed to determine the functional areas or projects which go to make up the activity. Examples of functional areas for SWS&FN which have been determined by the Bureau of Supplies and Accounts for the Fiscal Year 1956 budget are as follows:1/

1/ Department of the Navy, Justification of Estimates for Fiscal Year 1956, Appropriation SWS&FN.

Budget Activity 1 Supply Distribution

Project No. 1A Supply Operations-Physical Movement

Project No. 1B Supply Operations-Movement Control

Project No. 1C Supply Operations-Material Custody

Project No. 1D Supply Operations-Services

Project No. 1E Supply Facilities-Maintenance

Project No. 1F Area Accounting and Administrative Services

Project No. 1G Commissary Store Operations

Project No. 1H Capital Investment

Budget Activity 2 Material Control

Project No. 2A System Control of Inventory

Project No. 2B Allowance and Load Lists

Project No. 2C Provisioning, Reference and Research

Project No. 2D Standardization

Project No. 2E Navy Wide Procurement

Project No. 2F Services and Maintenance

Project No. 2G Direction and Administration

Project No. 2H Capital Investment

The functional analysis process continues with more detailed functional areas being assigned until elements are reached that will permit the most logical administration and operation of the plan for both the Bureau and the field activities. In the functional analysis there is no indication as to who is doing the work nor where it is being done. The only consideration at this point is what is to be done. Two examples of more detailed functional analysis are:2/

2/ See Appendix pp. 27-28.

Budget Activity 1 Supply Distribution

Project No. 1A Supply Operations-Physical Movement

Sub-Project No. 1A1 Storage Operations

Sub-Project No. 1A2 Packing

Sub-Project No. 1A3 Traffic Operations

Sub-Project No. 1A4 Waterfront Operations

Sub-Project No. 1A5 Bulk Fuel Operations

Budget Activity 2 Material Control

Project No. 2A System Control of Inventory

Sub-Project No. 2A1 Technical Material

Sub-Project No. 2A2 Personnel Material

Sub-Project No. 2A3 General Material

Sub-Project No. 2A4 Industrial Mobilization

After the appropriate functional elements have been determined the next step is to select a unit of measure for each step. It is equally important in this operation to select a unit which is representative and also to keep the total number of measurements used to a minimum. A minimum number of unit measures require a minimum number of explanations.

Integrating the Reporting System. The policy of the Bureau of Supplies and Accounts in preparing budget estimates is to relate what has happened in the past to the projected plans and projects of the future. To do this it is of paramount importance to have a firm reporting base from which to work. The base is comprised of manpower reports, work measurement reports, technical operations reports, and fiscal and accounting reports.

Manpower reports in the sense of personnel on board and personnel ceilings are received biweekly in summary form and monthly in more detailed form. The reports show such information as personnel ceiling, average number of personnel employed during the period, number of personnel on board on the last day of the reporting period, and the appropriation or appropriation subhead to which the labor costs will be charged. The report will also differentiate between salaried and per diem employees. However, the manpower statistics used for budget formulation work are gathered from cost accounting records and work measurement reports.

Work measurement reports have been developed to a high degree in the Bureau of Supplies and Accounts and are continuing to improve. The items reported on are of course correlated very closely with the functions described in the budget estimates. Workload data, man-hour data, and performance evaluation data are reported for each subfunction or operation. Where more detailed functions are reported on, the information is presented in a manner which makes for expeditious summarization into budget activity reports. Examples of more detailed work measurement reporting as it applies to Project 1A Supply Operations-Physical Movement are as follows:

Sub-Project No. 1A1 Storage Operations (WM-12)

WM-12.1 Document Processing

WM-12.2 Storage Operations

Sub-Project No. 1A2 Packing (WM-10)

WM-10.1 Packing (except HHG)

WM-10.2 Household Goods (packing and handling)

Sub-Project No. 1A4 Waterfront Operations (WM-13)

WM-13.1 Documentation

WM-13.2 Stevedoring

WM-13.3 Barge Operations

WM-13.4 Terminal Handling

From the work measurement reports the Bureau can determine, among other things, the workload by measured units accomplished, the unfinished work or backlog, and the man-hours expended in completing the work.^{3/}

Fiscal and accounting reports are submitted covering virtually all phases of the Navy operation, but the cost accounting reports are of primary interest to the budget personnel. The Navy's cost accounting system provides for the accumulation of costs by functional units and affords information as to the composition of the total and unit cost. This is accomplished through the appropriation accounting systems and the various cost and object class reporting systems. In addition, the material accounting systems are used which report the type and volume of material moved and consumed.

Technical and operations reports are normally not made directly to the Bureau of Supplies and Accounts. However, to determine the influence of the various Navy operations on the workload of BuSanda managed activities, summaries of these reports are mandatory. The summaries include reporting for total military personnel, total Navy civilian employment, ship overhaul, ships in active

^{3/} See Appendix pp. 29-30.

service, ship tonnage, steaming hours, operating aircraft, flight hours, and aircraft overhauls.

As has been indicated, the important factor in budget formulation is to establish a sound base from which to work. The information accumulated in the four general areas above must be integrated so that one area supplements or supports another. The employed manpower reported on the manpower reports must tie in with the man-hour expended data on the work measurement reports and labor cost data on the accounting registers. The operational data must be correlated with the workload reported. In other words, the reporting which is done in all the systems must be done in such a manner that like items can easily be distinguished and segregated.

Correlating workload costs with Navy plans. To understand the basis used in correlating the Navy plans and objectives with the workload of the Bureau of Supplies and Accounts, one must understand the general physical structure of the integrated Navy Supply System. The Navy Supply System can be said to be composed of some twenty individual supply systems. Each "system" is operated by a technical Bureau or a Commanding Officer of a Supply Demand Control Point. Material common to ships is segregated under the Ships Parts Control Center; aircraft spares are controlled by the Aviation Supply Office and provisions are managed by the Provisions Supply Office. Administrative control of the major SDCPs rests with BuSandA while the technical control is vested in the bureau with the predominate interest in the material. Technical control may be divided between several bureaus as is the case with the Electronic Supply Office

but again each bureau only controls items peculiar to that bureau's operations.

As has been established, the appropriation SWS&FN budget estimates are based on work to be done to provide supply support for the Navy plans and objectives. BuSanda considers that the predominate measurements expressed in the plans are the number of ships, planes, and military personnel to be supported during a budget year. All other factors are subservient to the operating strength and forces of the Navy.

The problem then is to measure the workload required to adequately support the three variables of ships, planes, and personnel. The first step is to classify the material in each of the supply control system as to technical material, personnel material, or general material.^{4/} The technical material is further classified as to fleet support and aviation support. The second step is to establish a correlation between the factors presented in the technical operating reports previously discussed and the materials issued and services performed in each supply system to support the factors. Examples of this correlation are shown graphically in the Appendix.^{5/}

When the correlation of workload to operations is applied to projected operations (planes, ships, personnel), a reasonably stable projected workload results. The task then is one of applying costs, supported by manpower, work measurement, and fiscal and accounting reports, to the projected workload to arrive at budget

^{4/} See Appendix pp. 31-32.

^{5/} See Appendix pp. 33-35.

estimates. The cost applied is in general a standard cost which has been developed by summarizing the detailed functional costs in the program analysis or work classification phase. It is comparatively simple then to work backwards to determine the cost of the elements such as personnel and material costs.

Developing the budget estimate format. The last step in the budget formulation process is to determine the format for budget presentation. An example of the obligation section of the format used for the FY 1956 budget is shown in the Appendix.^{6/} The figures presented are to be considered representative rather than actual. The presentation format is subject to change each year and is changed to present the strongest operating plan possible. The emphasis of the format presented is on what is done, not on where or how it is done.

^{6/} See Appendix p. 36.

CHAPTER VI

BUDGET PRESENTATION AND JUSTIFICATION

Budget presentation and justification by each bureau and department is made through the various offices mentioned in Chapter I. They include the Chief of Naval Operations, and the Assistant Secretary of the Navy for Financial Management (Comptroller) for the Secretary of the Navy; the Assistant Secretary of Defense (Comptroller) for the Secretary of Defense; and the Bureau of the Budget for the President. The House of Representatives and the Senate Committees on Appropriations and their subcommittees hold hearings for the Congress.

Here again the importance of the presentation format should be mentioned. Obviously with a review being made at the various ascending echelons in our governmental organization each echelon will be looking at the estimates from a slightly different viewpoint. The Chief of Naval Operations will consider the estimates in the light of how well they will support the operational plans. The Bureau of the Budget will be determining how well the estimates follow the Presidential policies and assumptions. The Congressional Committees on the other hand, may be primarily interested in the number of civilian personnel employed and the location of military installations. Regardless of the motivating forces behind each

reviewer, the fact remains that he is looking at the estimates from his personal point of view. A successful budget estimate format must of necessity take into consideration the more important of these varying concepts.

It has been suggested that if a budget presentation could be tailored, both in the format presentation as well as the narrative presentation, to each reviewing authority, both parties would be better served. However, the workload involved in such presentations would be prohibitive particularly with the preparation time limits now imposed. The budget processing time as published by the Bureau of the Budget is from May to September 15th for departmental and agency preparation. The deadline of September 15th for departmental budget estimate submissions to the Bureau of the Budget was established by the Budget and Accounting Act of 1921. The period from September 15th to the date in January when the budget is presented to Congress is reserved for the Bureau of the Budget hearings and examination and approval by the President.

The ramifications of budget presentation and justification are many. However, the subject has been covered by many writers and is not considered pertinent to this paper except for the comments made.

CHAPTER VII

SUMMARY

Budget formulation in the Bureau of Supplies and Accounts is influenced by a great variety of factors. Public Laws, directives from the various echelons in our government organization, world conditions, and plans for the size and activity of the military department all play a dominating role.

In spite of the fact that the influencing factors are subject to substantial and rapid change, the basic steps in budget formulation as practiced by the Bureau remain the same. The steps are:

1. Programming the plans or classifying the work to be done.
2. Accumulating cost and manpower data from an integrated reporting system.
3. Correlating the cost and manpower data with the programming information.
4. Developing the most descriptive format for budget presentation.

Mr. Robert C. Moot, Assistant Comptroller, Bureau of Supplies and Accounts summarizes the Bureau philosophy for budget formulation as follows:

It is the operational plan which should control throughout the budget process and, at no time, should funds become the controlling factor. For this reason, the plan itself should be modified each time a budget markup is received. If this isn't done,

review authorities can only assume that the plan was over priced to begin with and next time the cut will be deeper and more arbitrary. Funds should define the over-all limits of the plan but should not control the operations.1/

1/ Robert C. Moot, "Budget Formulation-BuSandA" (Unpublished paper, Bureau of Supplies and Accounts, 1954), p. 7.

A P P E N D I X

THE SUPPLY DISTRIBUTION SYSTEM - PROGRAMMING

FUNCTION

UNIT OF MEASURE

PHYSICAL MOVEMENT OF MATERIAL	
STORAGE OPERATIONS	M/TONS RECEIVED & ISSUED
PACKING	UNITS PACKED
TRAFFIC OPERATIONS	M/TONS RECEIVED, ISSUED, & TRANSHIPPED
WATERFRONT OPERATIONS	M/TONS RECEIVED, ISSUED & TRANSHIPPED
BULK FUEL OPERATIONS	BARRELS RECEIVED & ISSUED
MOVEMENT CONTROL OF MATERIAL	
ISSUE CONTROL	LINE ITEMS OF DEMAND
STOCK CONTROL	LINE ITEMS PROCESSED
STORAGE DOCUMENTATION	LINE ITEMS OF RECEIPT & ISSUE
TRAFFIC DOCUMENTATION	LINE ITEMS OF TRAFFIC
RECEIPT CONTROL	LINE ITEMS RECEIVED
PROCUREMENT	LINE ITEMS PROCURED
TECHNICAL	LINE ITEMS REVIEWED
INSPECTION	EXTERNAL INSPECTION
FREIGHT CONTROL	ROUTE ORDERS
MATERIAL CUSTODY	
PRESERVATION	UNITS PRESERVED
DISPOSAL	M/Ts DISPOSED
INVENTORY	INVENTORY ITEMS RECONCILED
SECURITY	SPACE SECURED
LEASED STORAGE & TANKAGE	EXTERNAL STORAGE
MAINTENANCE OF MATERIAL	M/Ts IN STORE
SERVICES (3)	DIRECT LABOR SERVICED
MAINTENANCE (2)	AREA MAINTAINED
ACCOUNTING & ADMINISTRATION (5)	LABOR SERVICED
COMMISSARY OPERATIONS (1)	SALES
CAPITAL INVESTMENT (3)	PLANNED INVESTMENT

THE SUPPLY DISTRIBUTION SYSTEM - 1956 WORKLOAD

PROJECT		WORKLOAD		SECONDARY RELATIONSHIP	
		PRIMARY	SECONDARY		
1A PHYSICAL MOVEMENT OF MATERIAL	STORAGE OPERATIONS		8,451,700	WTRFRONT & TRAFFIC ISSUE & RECEIPT TONS	
	PACKING		7,929,400	ISSUE TONS	
	TRAFFIC OPERATIONS		9,392,000	RECEIPT & ISSUE LINES ★ TRANSHIPPED TO AFLOAT & OVERSEAS MILITARY	
1B MOVEMENT CONTROL OF MATERIAL	WATER FRONT OPERATIONS		5,069,600	AFLOAT & OVERSEAS MIL.	
	BULK FUEL OPERATIONS		96,100,000	NSA SALES	
	ISSUE CONTROL	20,984,200		COMPUTED	
1C MATERIAL CUSTODY	STOCK CONTROL		20,014,000	RECEIPT & ISSUE CONTROL	
	STORAGE DOCUMENTATION		21,535,000	STOCK CONTROL	
	TRAFFIC DOCUMENTATION		18,967,000	RECEIPT & ISSUE CONTROL	
	RECEIPT CONTROL	6,228,100		COMPUTED	
	TECHNICAL		9,778,800	ISSUE LINES	
	PROCUREMENT		2,644,000	ISSUE LINES	
	INSPECTION EXTERNAL	X		NSF MTL. EXPENDITURES	
	FREIGHT CONTROL		682,800	TRAFFIC LINES	
	PRESERVATION		11,678,600	RETENTION INVENTORY LEVEL	
	DISPOSAL	2,191,000		PLANNED PROGRAM	
1D SERVICES	INVENTORY		5,454,900	INVENTORY LEVEL	
	SECURITY	177,219,000		PLANNED PROGRAM	
	LEASED STORAGE & TANKAGE	X		PLANNED PROGRAM	
	MAINTENANCE OF MTL. IN STORE		13,845,000	INVENTORY LEVEL	
1E MAINTENANCE	OPERATION & MAINTENANCE OF EQUIPMENT		13,651	DIRECT LABOR PROJ. NO. 1A	
	UTILITIES & COMMUNICATIONS		28,132	DIR. LABOR PROJS. 1A-1B-1C	
	GROUND SERVICES - BUILDING SERVICES		28,132	DIR. LABOR PROJS. 1A-1B-1C	
1F AREA ACCOUNTING & ADMINISTRATIVE SERVICES	BUILDINGS & GROUND MAINTENANCE	15,273		AREA	
	BULK FUEL FACILITIES	26,563,000		PLANNED BBL CAPACITY	
	ADMINISTRATION				
1G COMMISSARY OPERATIONS	FISCAL SERVICES		35,136	DIR. LABOR PROJ. 1A-1B-1C-1D-1E	
	PERSONNEL MANAGEMENT		35,136	DIR. LABOR PROJ. 1A-1B-1C-1D-1E	
	NAVY-WIDE SUPPLY & FISCAL FORMS		X	DIR. LABOR PROJ. 1A-1B-1C-1D-1E	
	PENALTY MAIL		X	STOCK CONTROL LINES	
1H CAPITAL INVESTMENT	COMMISARY OPERATIONS	61,912,000		STOCK CONTROL LINES	
	SALES	X		SALES	
	PLANNED PROGRAM			PLANNED PROGRAM	

BUSANDA SUPPLY MANAGEMENT REPORT
WORK MEASUREMENT PROGRAM FOR SUPPLY
 Work Measurement Data
 NAV. S. AND A. FORM 87 (REV. 6-53)

BURANDA REPORT 5303-1

FORM (Reporting Activity)										10:		PERIOD COVERED:								
REPORT ITEM NO.	SUBFUNCTIONS AND OPERATIONS	WORKLOAD DATA				MAN-HOUR DATA						PERFORMANCE EVALUATION DATA								
		WORK UNIT (3)	WORK UNITS		MILITARY (6)	CIVILIAN						TOTAL MAN-HOURS (14)	CONTRACT (13)	PRODUCTION RATES (100/Hr)		STANDARD MAN-HOURS ALLOWED (17)	MAN-MONTH EQUIVALENTS		PERFORM- ANCE INDEX (Percent) (20)	
			COMPLETED (4)	CURRENT BACKLOG (5)		GRADED (Group IVs)		UNGRADED (Non-IVs)						ACTUAL (15)	STANDARD (16)		ACTUAL (18)	STANDARD (19)		
						REGULAR (7)	OVERTIME (8)	OTHER FUNDS (9)	REGULAR (10)	OVERTIME (11)	OTHER FUNDS (12)									
(1)																				
WM - 1	SUPPLY OPERATIONS ADMIN.																			
	1.1 Management	260064	xxx	461	2721															
	1.2 Office Services	260064	xxx		1956															
	1.3 Planning	260064	xxx	352	3784															
	TOTAL WM-1	xxx	xxx	813	2461															
WM - 2	TECHNICAL																			
WM - 3	INVENTORY																			
	3.1 Physical Count	19876	18432	88	3954															
	3.2 Reconciliation	22695	17087	88	4458															
	TOTAL WM-3	xxx	xxx	176	8412															
WM - 4	ISSUE CONTROL																			
WM - 5	STOCK CONTROL																			
WM - 6	RECEIPT CONTROL																			
WM - 7	PROCUREMENT																			
	7.1 Requisition and Order	2723	570	88	1638															
	7.2 Purchase Operations	2589	312	88	3391															
	TOTAL WM-7	xxx	xxx	176	4029															
WM - 8	DISPOSAL																			
	8.1 Reporting and Redistribution	2416	2657	59	901															
	8.2 Sales and Survey	10459	1994	59	766															
	8.3 Physical Disposal	1338	2068	58																
	TOTAL WM-8	xxx	xxx	176	267															
WM - 9	TRAFFIC																			
	9.1 Documentation	40167	5630	264	9088	58														
	9.2 Physical Rec'g and Shipping	58196	1896	264	7811	120														
	TOTAL WM-9	xxx	xxx	528	16379	50														
WM - 10	PACKING																			
	10.1 Packing (Except HMG)	31315	2631	172	428															
	10.2 HMG (Packing and Handling)	777	20	172	5540															
	TOTAL WM-10	xxx	xxx	344	2978															
WM - 11	PRESERVATION																			
WM - 12	STORAGE																			
	12.1 Document Processing	20461	20115	248	1937	120														
	12.2 Storage Operations	38259	xxx	248	1206															
	TOTAL WM-12	xxx	xxx	496	2992	120														

REPORT ITEM NO.	SUBFUNCTIONS AND OPERATIONS	WORKLOAD DATA				MAN-HOUR DATA										PERFORMANCE EVALUATION DATA					
		WORK UNITS		WORK UNIT (3)	NAME (2)	MILITARY			CIVILIAN				CONTRACT (13)	TOTAL MAN-HOURS (14)	PRODUCTION RATES (WU/MH)		STANDARD MAN-HOURS ALLOWED (17)	MAN-MONTH EQUIVALENTS		PERFORM- ANCE INDEX (Percent) (20)	
		COMPLETED (4)	CURRENT BACKLOG (5)			GRADED (Group IVb) SW&SFN REGULAR (7)	OVERTIME (8)	OTHER FUNDS (9)	UNGRADED (Non-IVb) SW&SFN REGULAR (10)		OVERTIME (11)	OTHER FUNDS (12)			ACTUAL (15)	STANDARD (16)		ACTUAL (18)	STANDARD (19)		
									SW&SFN REGULAR (10)	OVERTIME (11)											
(11)	WATERFRONT 13.1 Stevedoring	5168	1894	176	2981										1.64	1.56	3313	17.9	18.8	105.0	
WM-13	M/T 13.2 Stevedoring	12715	XXX		201			478							1.68	1.50	8497	42.9	48.2	112.4	
	M/T 13.3 Barge Operations	7455	XXX		564			138							4.26	4.15	1796	9.9	10.2	103.0	
	M/T 13.4 Terminal Handling	20170	XXX		1114			352							4.41	4.62	4366	26.0	24.8	95.4	
	TOTAL WM-13	XXX	XXX	176	4560			968							XXX	XXX	17952	96.7	102.0	105.5	
	BULK FUEL OPERATIONS 14.1 Receipt and Issue	474916	XXX		325	7									159.37	162.43	2837	16.9	16.1	95.3	
WM-14	Drums 14.2 Drum Filling and Storage	209	68					138							3.22	4.11	51	.4	.3	75.0	
	Drums 14.3 Drum Reconditioning	167	0					24							6.96	5.80	29	.1	.2	200.0	
	TOTAL WM-14	XXX	XXX		325	7		2429							XXX	XXX	2917	17.4	16.6	95.4	
	MISCELLANEOUS 15.1 L & E Overhead	6724	XXX	176	701										32.41	35.63	1592	9.9	9.0	90.9	
	Equip. 15.2 Tasting and Exercising	236	XXX		280			280							1.20	.95	354	1.6	2.0	125.0	
WM-15	Ctns. 15.3 Carton Manufacturing	20168	XXX		571			571							35.32	36.15	558	3.2	3.2	100.0	
	R/O 15.4 NCFCO	1756	XXX	352	6108	312									.17	.19	6044	38.5	34.6	88.9	
	None 15.5 Other Program Effort	XXX	XXX		156										XXX	XXX	XXX	XXX	XXX	XXX	
	TOTAL WM-15	XXX	XXX	528	6809	312		1880							XXX	XXX	8588	53.2	48.8	91.7	
1	TOTAL PRODUCTIVE TIME (Total of Report Items WM-1 through WM-15)	4645	14144	1133	3765	94368	1125	7381	6503	260064								1476.5	1420.0	96.2	
11	NONPRODUCTIVE TIME a. Regular Paid Leave	435	17555	XXX	XXX	11366	XXX	XXX	XXX	30011											
	b. Holiday	XXX	XXX	XXX	XXX	11366	XXX	XXX	XXX	30011											
111	TOTAL NONPRODUCTIVE TIME (Line a plus Line b)	435	17555	XXX	XXX	11366	XXX	XXX	XXX	30011											
111	GRAND TOTALS (Total of Report Items I and II)	5080	158699	1193	4420	105734	1125	7381	6503	290075											

REMARKS (Attach additional sheets as required.)

REPORT PREPARED BY:

APPROVED BY (Name and Title)

WM	Man-Nrns	M/T	Measurement Tons	Bbls.	Barrels	R/O	Route Orders
L/I	Line Items	Equip.	Equipment	Equip.	Equipment		
Doc.	Documents	Appl.	Applications	Ctns.	Certians		

KEY TO SYMBOLS IN COLUMN (1)

MATERIAL LOGISTICS SUPPORT FINANCED BY BUSANDA

TECHNICAL MATERIAL

• FLEET SUPPORT

SHIP REPAIR PARTS (H)
SHIP MACHINERY & EQUIPMENT (S)
SHIP ELECTRONIC EQUIPMENT (F)
ELECTRONIC REPAIR PARTS (N)
ELECTRICAL FITTINGS (A)
ORDNANCE EQUIPMENT & EXPLOSIVES (J)
ORDNANCE REPAIR PARTS (Z)
SUBMARINE REPAIR PARTS (P)

SUBTOTAL

• AVIATION SUPPORT

AERO. MAJOR EQUIPMENT (V)
AVIATION MATERIAL & PARTS (R)
PHOTOGRAPHIC MATERIAL (E)

SUBTOTAL

TOTAL TECHNICAL MATERIAL SUPPORT

COMPUTED SUPPORT
FISCAL YEAR 1956
* MEASUREMENT TON
VOLUME

LINE ITEM DEMAND		
3,631,000	113,000	
124,000	478,000	
88,000	158,000	
3,742,000	113,000	
237,000	102,000	
66,000	713,000	
1,707,000	68,000	
<u>157,000</u>	<u>14,000</u>	
9,752,000	1,759,000	
11,000	76,000	
1,479,000	330,000	
85,000	14,000	
1,575,000	420,000	
<u>11,327,000</u>	<u>2,179,000</u>	
51.3 %	26.8 %	

PERSONNEL MATERIAL

MILITARY PERSONNEL SUPPORT

TRAINING AIDS & DEVICES (K-T)

SUBSISTENCE (M)

CLOTHING (U)

MEDICAL & DENTAL (L)

TOTAL MILITARY PERSONNEL SUPPORT

COMPUTED SUPPORT FISCAL YEAR 1956

LINE ITEM DEMAND	MEASUREMENT TON VOLUME
185,000	137,000
1,823,000	1,917,000
388,000	172,000
589,000	65,000
<u>2,985,000</u>	<u>2,291,000</u>
13.5 %	28.2 %

GENERAL MATERIAL

GENERAL SUPPORT

GENERAL STORES (G)

CONSTRUCTION EQUIPMENT (C)

VEHICULAR EQUIPMENT REPAIR - PARTS (Y)

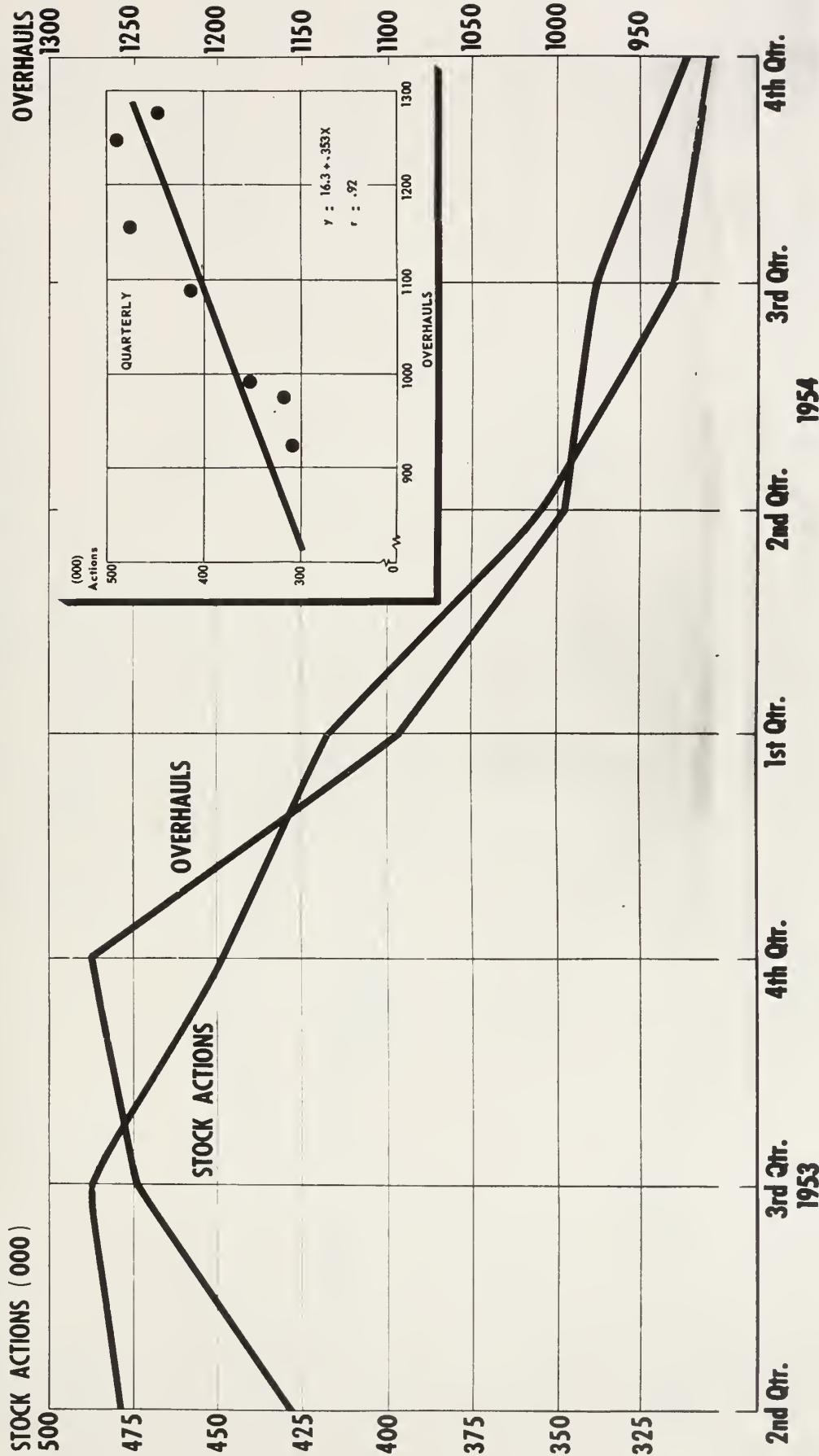
TOTAL GENERAL MATERIAL SUPPORT

TOTAL MATERIAL SUPPORT (ISSUE)

6,969,000	2,746,000
10,000	800,000
787,000	115,000
<u>7,766,000</u>	<u>3,661,000</u>
35.1 %	45 %
<u>22,078,000</u>	<u>8,131,000</u>
100 %	100 %

TIME SERIES ANALYSIS OF STOCK ACTIONS VS AIRCRAFT OVERHAULS

2nd Qtr. FY 1953-4th Qtr. FY 1954



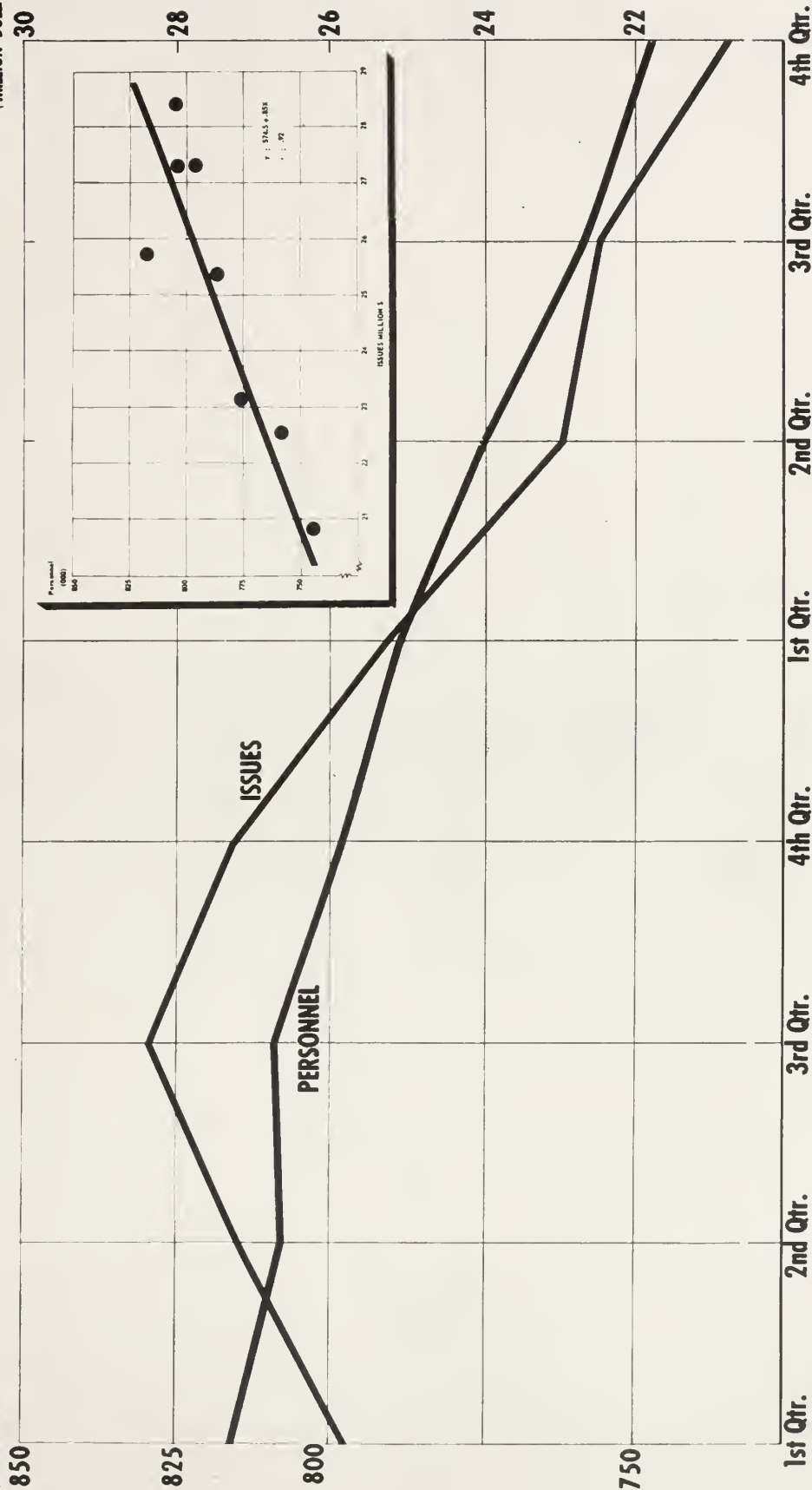
SUBSISTENCE

MILITARY STRENGTH VS VALUE OF SUBSISTENCE MATERIAL ISSUED

NO. OF PERSONNEL
(THOUSANDS)

FY 1953 -- FY 1954

VALUE OF ISSUES
(MILLION DOLLARS)

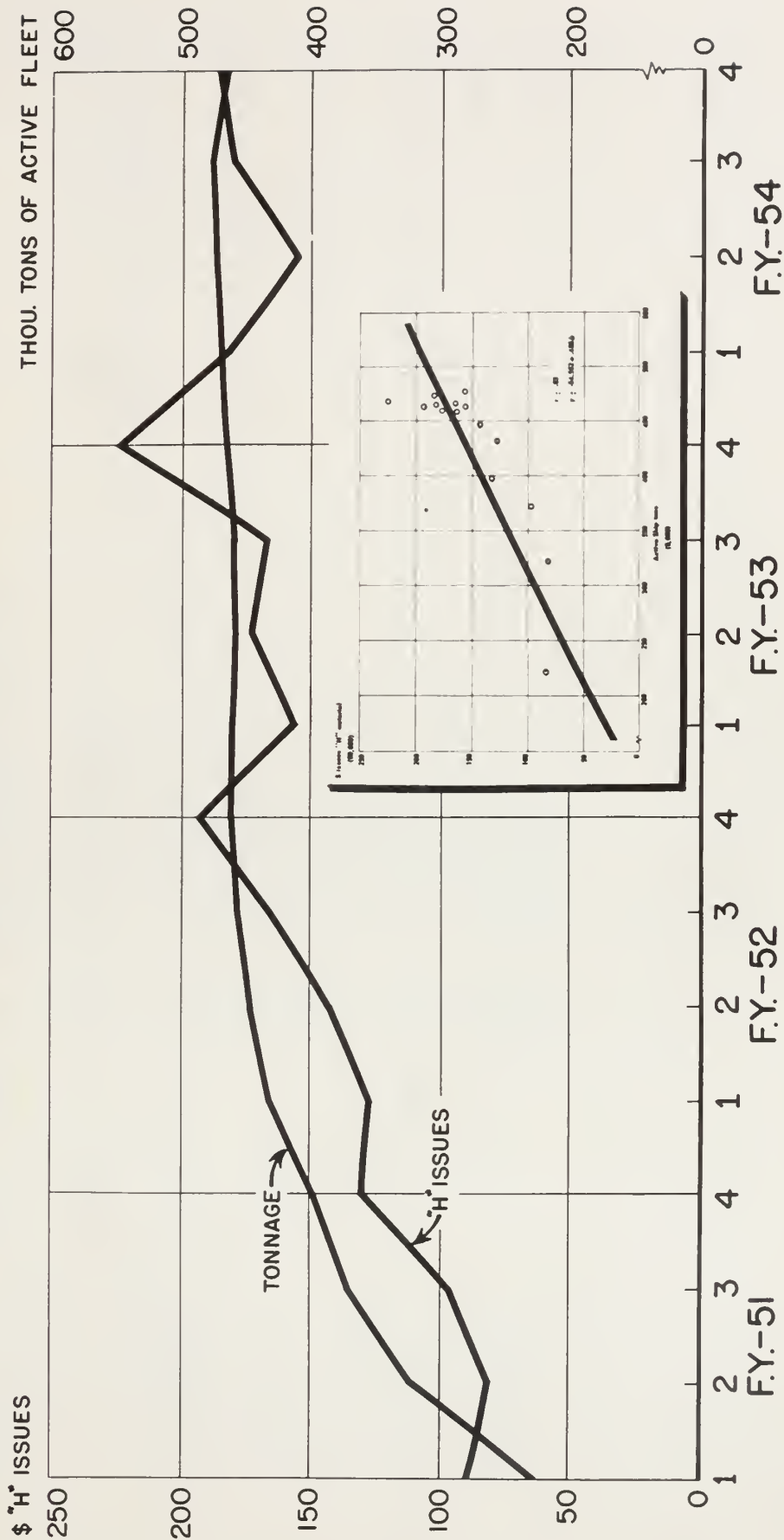


1953

1954

SHIPS PARTS

ACTIVE FLEET TONNAGE VS ISSUE VALUE OF SHIPS PARTS



Department of the Navy

Justification of Estimates for Fiscal Year 1956

Appropriation: Service-wide Supply and Finance, Navy

BUDGET ACTIVITY NO. 1 - SUPPLY DISTRIBUTION SYSTEM

PROJECT NO. 1A - SUPPLY OPERATIONS - PHYSICAL MOVEMENT (Continued)

Justification of Funds Requested (Continued)

No.	Sub-Project Title	Workload Factor	Fiscal Year	Workload Units	Unit Cost	Total Obligations		Plus or minus difference (1956-1955)
						1954	1956	
1A1	Storage Operations	Measurement Tons	1954	9,386,826	2.8080	26,358,429		
			1955	8,518,500		23,920,000		
			1956	8,451,700			23,732,000	- \$188,000
1A2	Packing	Units Packed	1954	8,107,792	1.8701	15,162,636	14,798,000	- 6,000
			1955	7,913,200				
			1956	7,909,400			14,792,000	- 6,000
1A3	Traffic Operations	Measurement Tons	1954	10,417,676	1.1508	11,988,575	10,897,000	- 88,000
			1955	9,468,500				
			1956	9,392,000			10,809,000	- 88,000
1A4	Waterfront Operations	Measurement Tons	1954	5,468,865	2.2912	12,530,186	11,741,000	- 126,000
			1955	5,124,300				
			1956	5,069,600			11,615,000	- 126,000
1A5	Bulk Fuel Operations	Barrels	1954	100,199,055	.0299	2,996,064	2,875,000	- 2,000
			1955	96,153,000				
			1956	96,100,000			2,873,000	- 2,000
Project 1A Total obligations						69,035,890	63,821,000	- \$410,000
Obligations payable out of reimbursements						4,493,000	4,455,000
Total obligations payable from appropriated funds						64,542,890	59,366,000	- \$410,000

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